# Impact of Service Quality, Customer Satisfaction and Word of Mouth on Loyalty

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## Abstract

To reduce the use of private cars and to shift to use Transjakarta bus, PT. Transportasi Jakarta as the management of Transjakarta bus tries to improve its service by adding new corridors and new buses. The purpose of this study is to analyze Impactof Service Quality, Costumer Satisfaction and Word of Mouth to Loyalty on bus Transjakarta in Jakarta ,Indonesia. Base on the aims of the study , hypotheses of the study  are : 1)  Service Quality influences on Loyalty ;2) Costumer Satisfaction influences on Loyalty ; 3) Word of Mouth Award  influences on Loyalty. The study design used is a combination of verificative statistic and descriptive statistic, while research method used is survey approach, data are collected through self administered questionnaire completed by 275 respondents. Sampling technique is done by purpose sampling . The method of analysis uses descriptive statistic average and Structural Equation Modeling method by using software Lisrel for hipotheses testing. The result show on the descriptive analysis toward the variable used is positive and some are negative. The SEM result analysis toward the hypothesis test based on imphirical data of 2 hypotheses proven are service quality is proven to be significantly influence the loyalty, customer satisfaction is proven to be significantly influence the loyalty and. This is one only hypotheses result that is not proven that word of mouth does not influence loyalty.

**Keywords**: Service Quality, Costumer Satisfaction, Word of Mouth, Loyalty

## Introduction

The city transportation industry has grown fast in the big cities such as Jakarta these past years. The existence of online-based transportation such as motorcycle taxi online or taxi online causes a new transportation sub industry in Jakarta. The existed transportation like 'mikrolet' and 'metromini' is the mean of transportation that has almost been left behind by the customers since the condition has become worse, old, noisy and not feasible to use and also it causes pollution.

It is different with this following transportation as the mass transportation, which is calledTransjakarta. The Jakarta citizen could make their choice to one of those means of transportation above. The operation of Transjakarta or people usually called Busway with its low price is a marketing strategy to attract the customers. Transjakarta bus serves Jakarta and half part of Jabodetabek. The growth of Transjakarta identifies the market potency in the public transportation industry in Jakarta and Jabodetabek area. With the significant increasing number of passengers, it has a big opportunity to enter the empty market. It is because there are more private companies that join PT. Transjakarta to manage the new corridors and the available ones.

Based on the field observation, there are customers' complaints in the low service quality issue, dirty bus stops, excessive customers in the bus stops, narrow-sized bus stops, and a lot of rubbish on the stairways to the bus stop. These show the service quality that does not meet the customer expectation as it is stated by (Grongross, 1984). The service quality is the result of customer evaluation process by comparing the customer expectation with the service performance the customers get and the past service experience where the service achieved becomes the result of the customer evaluation to the customer experience service {Grongross, 1984).

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Zeithaml, *et al.*, (1996) explained that service quality is a comparison between the customer expectations to the achieved service performance. By giving a high quality service, the satisfied customers will be loyal. Some researches showed that the high intensity customers to the company service tend to share their experience by word of mouth (Boston,*et al.*, 1991). Service quality is the performance of busway or Transjakarta bus. Some researches revealed that service quality positively influenced the customer loyalty (Muhammad, *et al.,* 2013). It is also similar to the customer satisfaction where the satisfied customer will be loyal and will be continuously use the service of Transjakarta bus as it was stated by Hamza (2013) that customer satisfaction influences loyalty.

**Identification and Study Framework**

Base on the problem indentification , the literature review " Is there any impact of Service Quality, Customer Satisfaction, and Word of Mouth on  Transjakarta  loyalty " with the explanation as follow :

1. Is there any influence on service quality to loyalty of bus Transjakarta Customer in Jakarta and Jakotabekarea
2. Is there any influence on customer satisfaction to loyalty of bus Transjakarta Customer in Jakarta and Jabotabekarea
3. Is there influence on word of mouth to loyalty of bus Transjakarta Customer in Jakarta and jabotabek area

**Literature**

**1. Loyalty**

Oliver (2007) explained loyalty as a customer commitment to have a repeated purchase or to subscribe to the service used consistently in the future. Gremler and Brown (1996) stated that loyalty shows the customer behavior in having repeated purchase, positive attitude and always using the company service.  Gremler and Brown (1996) stated Brand Loyalty has three dimensions namely behavioral loyalty, attitudinal loyalty, and cognitive loyalty.

**2. Word of Mouth  (WOM)**

WOM (Word of Mouth); Lovelock (2010), is a consumer action in giving information to other consumers from someone to other people (interpersonal) non commercially either brand, product or service in form of utterance or statement by word of mouth which can be an effective promotion method since it is generally apprised by the consumer, to consumer and for consumer so that the satisfied consumer or customer can be the advertising media for the company (Arndt, 1967a). WOM dimension is Recommendation (Arndt, 1967a), Personal Service (Godes & Mayzlin, 2004), communicate to other people (Boston, *et al.*, 1991)

**3. Customer Satisfaction**

Oliver (1997) customers that are not satisfied enough psychologically show that the unexpected experience they got will make them feel aggrieved as it was not as they expected when they used the Transjakarta bus. They expected for the satisfaction. The satisfied customers will be the loyal customers. Oliver (2007) then explained that satisfaction is pleasurable fulfillment that is the fulfillment of customer expectation satisfyingly. According to Akbar and Noorjahan (2009) customer satisfaction dimensions are service quality, product quality, promotion and price.

**4. Service Quality**

In the competition that is getting tighter, customers tend to urge for the better service quality. This condition urges the company to improve their service quality.  Berry, Parasuraman and Zeithaml (1988); Rong (2008) presented service quality is the right strategy tool in competition. Parasuraman *et al.* (1988) stated that service quality is a multi dimensional concept with five key dimensions namely, reliability, responsiveness, assurance, empathy, and tangibles. Reliability is an ability to give the promised and reliable service accurately.

**Study Concept**

In accorandce with the study contex , study conceptual model then being made that are influence of Service Quality, Customer Satisfaction and Word of Mouth with loyalty and analysis tool used SEM with the research object the passengers of  Transjakarta bus

**Hypotheses**
**The Influence on Service Quality to Loyalty**
H1 =   There  is a positive influence on service quality to loyalty
**The Influence on Service Quality to Loyalty**
H2 =   There  is a positive influence on  customer satisfaction to loyalty
**The Influence on  Customer Satisfaction to Loyalty**

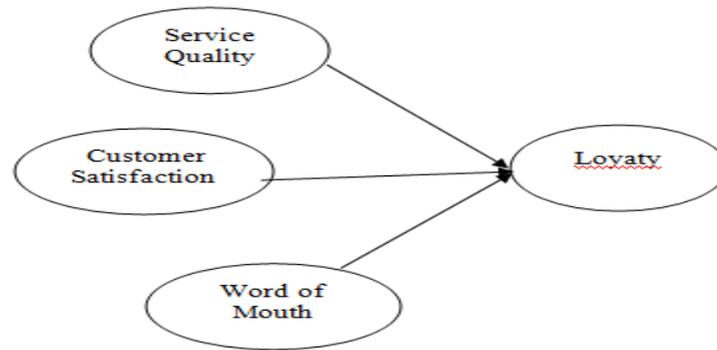H3 =   There  is a positive influence on word of mouth to loyalty



**Figure 1.** Study Concept

**Study Methodology**

The design of the study is verificative and descriptive study through quantitative methods and cualitative methods with a survey approach. The sampel used are 275 responden , who customers of Tansjakarta bus in Jakarta and Jabotabek area , Indonesia. Sampling technique with the purpose sampling (Sugiono, 2009) sreens the customer with the consider that responden at least have been using the service of the same company and the same address in this used transjakarta more the one for the last one year. The analysis tool is used to describes the study variables that use descriptive statistic is average and percentage statistic , and for influence analysis between variables uses Structural Equation Modeling (SEM) analysis with help of Lisrel software  ( Hair,2010)

**Study Result**

**a. Descriptive Analysis**

The average result describes that respondents consider the customer satisfaction and word of mouth evaluated are still problematic while the respondent evaluation on service quality and loyalty variabel is good can be seen Table 1.

Table 1. Descriptive analysis

| Vab | N | Minimun | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Ser Qual | 275 | 1.00 | 5.00 | 3.4566 | .54324 |
| Custom Satis | 275 | 1.00 | 5.00 | 3.3212 | .46718 |
| Word of M | 275 | 1.00 | 5.00 | 3.1678 | .59884 |
| Loyal | 275 | 1.37 | 4.70 | 3.4567 | .56533 |
| Valid N  (listwise) | | | | | |

Sources : Computer analisisout put   (2017)

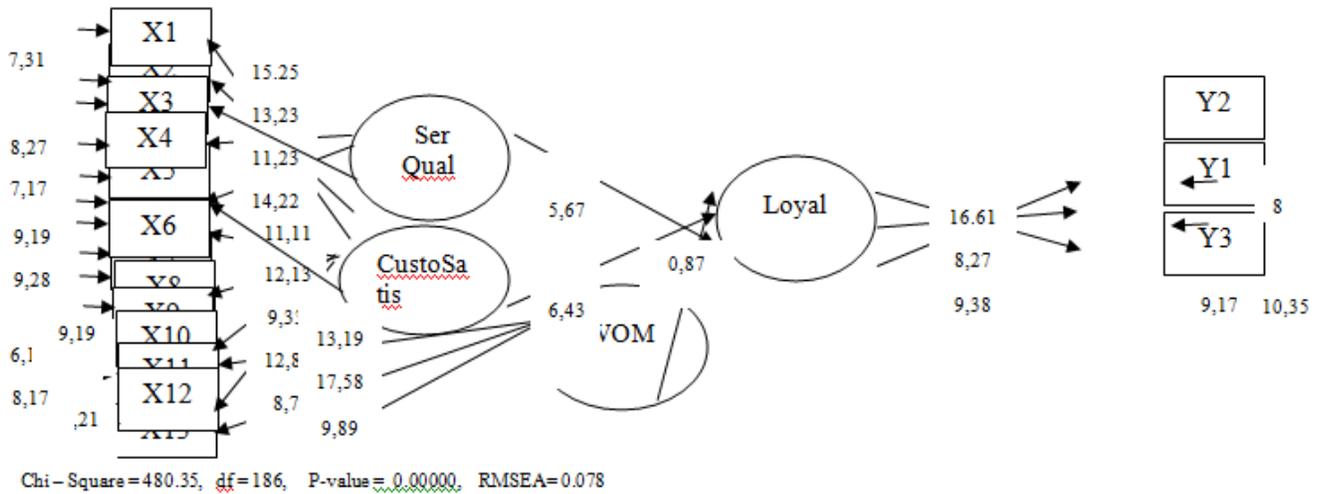**b. Inter -Variable Influence Analysis**

1. Accruracy Indexes Model

Imperical model (fit) is fitted with the theoretical model ( Hair, 2010) , the test result of accuracy model shows that from 8 indexes , there are six indexes that has good fit catecory*(RMSA,RMR,AGFI,CFI,IFI,RIF)*and two marginal fit indexces ( GFI and NFI ) can seen Table  2.

| No | Expected size | | Result estimated | Level of accuracy |
|---|---|---|---|---|
| | **Absolut Fit** | | | |
| 1. | RMSA< 0,80 | | RMSA  = 0,078 | Good Fit |
| 2. | RMR      < 0.1 | | RMR    = 0.026 | Good Fit |
| | **Incremental Fit** | | | |
| 3 | GFI      > 0,90 | | GFI      = 0.86 | Marginal Fit |
| 4 | AGFI   > 0,90 | | AGFI   = 0,92 | Good Fit |
| 5 | NFI      > 0,90 | | NFI      =0,82 | Marginal Fit |
| 6 | CFI      > 0,90 | | CFI      = 0,97 | Good Fit |
| 7 | IFI      > 0,90 | | IFI      = 0,95 | Good Fit |
| 8 | RIF      > 0,90 | | RIF      = 0,93 | Good Fit |

Sources : computer analysis  output  (2017)

2. The output of the computer on test hypotheses related to the influence of Service Quality, Customer Satisfaction, and Word of mouth toward loyalty can be seen Figure 2 and Figure 3.



Chi – Square = 480.35, df = 186, P-value = 0.00000, RMSEA = 0.078

Sumber : computer analysis output (2017)

**Figure 3.** T- Count Measurement Model Influence



Chi – Square = 480.35, df = 186, P-value = 0.00000, RMSEA = 0.078
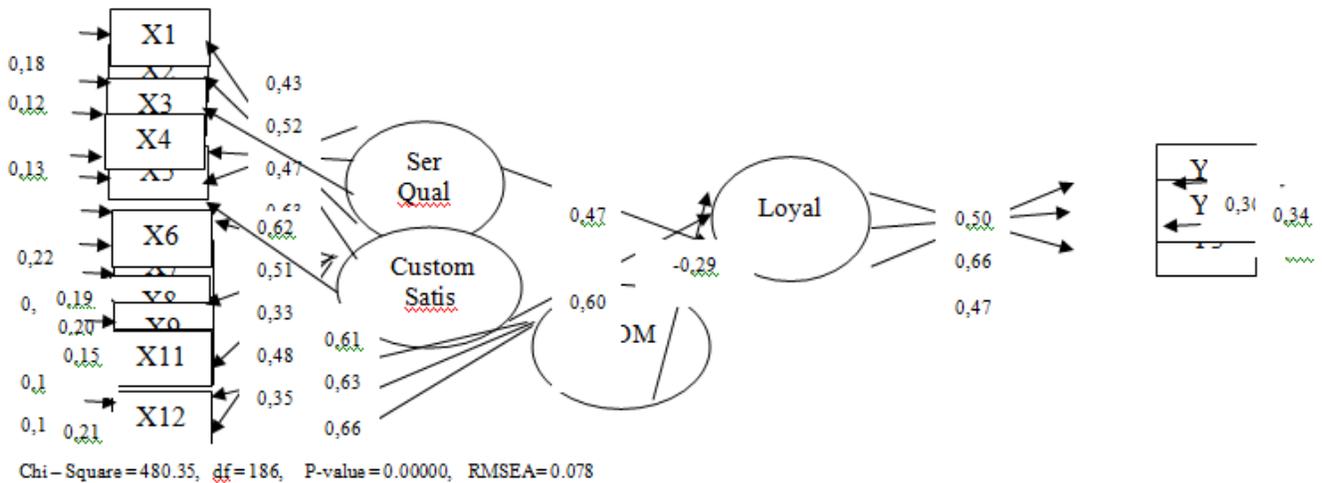
Sources : Computer output analysis (2017)



Sources : computer analysis output

**Figure 4.** Study Result Struktural Model

3. Inter- Variable Influence analysis    Tabel 3.

| No | Infleunce | |
|----|-----------|------|
| 1 | Service Quality Loyalty | 0,47 |
| 2 | Customer Satisfaction Loyalty | 6,47 |
| 3 | Word of Mouth Loyaliy | 0,87 |

Sources: computer analysis output

**Research Result**

a. Descriptie research result shows respondents' evaluation is negative toward the items 0f research variables and needs to be coreected , namely are :

1.  Service quality of Transjakarta bus such as punctual schedule and complaint handling by standard, the condition of stairways and connecting bridge to the bus stop, the atmosphere and facility in the bus are considered negative by the respondents and they need to be overhauled.
2.  Passenger satisfaction such as convenience item in the bus and bus frequency.
3.  From Word of Mouth such as personal service for senior passengers and recommendation for other people.
4.  The loyalty of Transjakarta passengers. They are pleased and proud to take Transjakarta even though it needs a long time to wait for the bus.

**Conclusion**

1. The conclution of this study is hypotheses test based on the emphirical data is proven to be significant. This is only one that is not proven which is word of mouth does not influence the loyalty

**Suggestions (The Government of Jakarta)**

1.  Creating Jakarta free of traffic jam then it is expected that private transportation will move to public transportation (the management of Transjakarta unites with 'metromini' and 'mikrolet'). 'Metromini' and 'mikrolet' with new air-conditioned buses and paid drivers can be made as the bus feeder of Transjakarta bus.  .

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